

Message Text

CONFIDENTIAL

PAGE 01 STATE 060197

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ORIGIN TRSE-00

INFO OCT-01 ARA-06 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 OPIC-03

XMB-02 /091 R

DRAFTED BY TREAS/OASIA:PDAVIS:MMG

APPROVED BY ARA/APU:JMSMITH, JR.

TREAS:MR. GOODMAN

EB/OIA:MR. BRODERICK

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R 120123Z MAR 76

FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES

C O N F I D E N T I A L STATE 060197

E.O. 11652: GDS

TAGS: EINV, AR

SUBJECT: CHASE MANATTAN CASE

REF: STATE 58466; STATE 58028

1. IN TELCON MARCH 10 TREASURY, STATE ARA AND EB OFFICERS TALKED TO CHASE SENIOR VICE PRESIDENT MASON ON CURRENT STATUS OF CHASE'S EXPROPRIATION ISSUE IN ARGENTINA. DESK OFFICER SMITH REVIEWED CURRENT INFORMATION HE HAS RECEIVED IN WASHINGTON INCLUDING REPORT FROM CENTRAL BANK PRESIDENT ZALDUENDO THAT CHASE AND GOA REACHED FINAL AGREEMENT LAST FRIDAY AND AMB. VAZQUEZ REPORT THAT MONDELLI HAD SIGNED DECREE AND TOOK TO PRESIDENT PERON MARCH 10 FOR SIGNATURE.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 060197

2. MASON STATED THAT WHILE PROGRESS HAS BEEN MADE, CHASE

HAS NOT REACHED FINAL AGREEMENT ON THE VALUATION OF AND PAYMENT FOR ITS ASSETS. IN HIS DISCUSSIONS WITH MINECON MONDELLI, IT WAS AGREED THAT:

A. A NEW DECREE WOULD BE WRITTEN

B. DATE OF EXPROPRIATION WOULD BE CHANGED FROM APRIL 74 (AS IN ONE OF THE LAST DECREES) TO SEPT. 1973, THE DATE THE NATIONALIZATION LAW WAS PASSED.

C. FINANCIAL ASSETS WOULD ALSO BE REVALUED (AS FIXED ASSETS WERE TO BE REVALUED IN ONE OF THE LAST DECREES)

D. PAYMENT OF REVALUED ASSETS WOULD BE TAX FREE

E. CHASE WOULD ACCEPT INITIAL VALUATION OF ASSETS AT BOOK VALUE IN SEPT. 1973.

3. MASON FURTHER RELATED THAT HE TOLD MONDELLI CHASE WOULD KEEP PESO PAYMENT IN ARGENTINA TO USE IN CAPITALIZATION OF INVESTMENT BANK WHEN LEGISLATION APPROVED. CAPITAL WOULD BE REGISTERED AND HENCE CAPITAL AND DIVIDENDS COULD BE REMITTED IN DOLLARS. DURING INTERIM BETWEEN PAYMENT AND ESTABLISHMENT OF INVESTMENT BANK PESOS WOULD BE INVESTED IN INFLATION PROOF BONDS. AS A SIDE ISSUE MASON STATED GERMAN INVESTORS IN CHASE'S ARGENTINE OPERATION WANTED A CASH SETTLEMENT. GERMAN INVESTMENT IS 75 PERCENT INSURED BY FRG AND FRG HAS INFORMED GOA THAT NO SUPPLIERS CREDITS WILL RECEIVE FRG GUARANTEE UNTIL THE ISSUE RESOLVED.

4. MASON'S MAJOR DISPUTE WITH GOA CONCERNS WHETHER ADJUSTMENT FOR INFLATION OF SEPT. 1973 VALUATION SHOULD BE BASED ON CPI OR ON CHANGE IN DOLLAR/PESO PARITY. HE STATED THAT AGREEMENT IN THIS ISSUE HAD NOT BEEN REACHED LAST FRIDAY. FROM HIS VARIOUS STATEMENTS, HOWEVER, IT IS NOT CLEAR WHETHER CHASE, IN FACT, RAISED THIS ISSUE WITH THE GOA. MASON STATED THAT WITH RECENT (SATURDAY) DEVALUATION, INFLATION IS LESS THAN DEVALUATION OF PESO
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 060197

AND THAT REAL VALUE OF CHASE'S ASSETS AS OF SEPT. 1973 WOULD BE ONLY \$5.5 MILLION WHEREAS BOOK VALUE AT THAT TIME WAS \$6.3 MILLION. FROM MASON'S STATEMENTS IT IS NOT CLEAR WHETHER DOLLAR VALUES WERE DISCUSSED WITH MONDELLI OR ONLY PESO BOOK VALUE AS OF SEPT. 1973. IT SEEMS CLEAR HOWEVER THAT MASON EXPECTS TO RECEIVE PESO PAYMENT AT LEAST EQUIVALENT AT CURRENT EXCHANGE RATE TO BOOK VALUE OF \$6.3 MILLION. OF THIS AMOUNT \$1.1

MILLION IS DISPUTED BECAUSE OF DIFFERENT METHOD OF VALUING FIXED ASSETS, BUT BOTH SIDES WANT THIS ISSUE TO BE SETTLED IN COURT. (THEREFORE, NET PAYMENT CHASE SEEMS TO EXPECT IS \$5.2 MILLION PESO EQUIVALENT.

5. MASON DID NOT IN FACT KNOW IF NEW DECREE HANDLED ALL THE QUESTIONS IN AN ACCEPTABLE MANNER TO CHASE. THIS IS ONE REASON IT IS IMPORTANT TO OBTAIN COPY OF DECREE. FURTHER MASON DID NOT KNOW IF NEW DECREE SPECIFIED A DATE FOR EXECUTION BY THE CENTRAL BANK. HE DID STATE THAT BY

THE DECREE (WE ARE NOT SURE IF HE MEANT NEW ONE OR ONE ALREADY SIGNED) THE CENTRAL BANK MUST MAKE AN OFFER TO CHASE WHICH CHASE HAS 60 DAYS TO ACCEPT OR REJECT. IF OFFER REJECTED, FUNDS HELD IN ESCROW UNTIL ISSUE SOLVED.

6. ACTION REQUESTED. IN ADDITION TO CLARIFYING STATUS OF ANY NEW DECREE, AND SEEKING TO OBTAIN A COPY OF IT REQUEST EMBASSY TO SEEK TO DETERMINE:

A. WHETHER CHASE HAS IN FACT RAISED WITH GOA POSSIBILITY OF INFLATION ADJUSTMENT BASED UPON EXCHANGE-RATE PARITY RATHER THAN UPON CPI.

B. IF ACCEPTABLE (TO CHASE AND GOA) METHOD OF VALUATION IS CONTAINED IN DECREE, BUT IF TIMING OF OFFER IS NOT MADE EXPLICITLY, WHAT PROVISION WILL BE MADE TO ASSURE THAT AN OFFER BASED UPON THAT METHOD OF VALUATION WILL BE FORTHCOMING WITHIN A REASONABLE PERIOD OF TIME.

C. IT MIGHT BE USEFUL, FOR THE PURPOSE OF FUTURE DISCUSSIONS WITH CHASE, IF THE EMBASSY COULD INDEX THE CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 060197

CPI AND PESO/DOLLAR PARITY FROM SEPT. 1, 1973 TO THE PRESENT. KISSINGER

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